

CARES Plus Conference Call – July 12, 2011 Fiscal Requirements

Update on CARES Plus Phase I – Planning and Development Funding

1. *Phase I – Planning and Development Funds, Report of FY 2010-11 expenditures:*
Due date remains the same, on or before August 1, 2011.
2. *Phase I – Planning and Development Funding Authorization for FY 2011-12:* With the July 2011 action by the State Commission, lead agencies may request to use unexpended FY 2010-11 Phase I – Planning and Development funds in FY 2011-12 through December 31, 2011, under the following conditions:
 - The funds can be used only for those purposes detailed in the CARES Plus Request for Application (RFA), Section IV A.1 – Allowable Use of Funds. These funds cannot be used to enhance Phase II program design costs.
 - Administrative costs may be incorporated into the Phase I Budget, not to exceed 15 percent of the total costs.
 - Lead Agencies must complete and submit CARES Plus Form 7R, Phase I – Planning and Development Budget 2011-12, and Form N, CARES Plus Planning Development Change Request.
 - First 5 California approves Forms 7R and Form N after they are submitted by each Lead Agency. Upon approval, county commissions will receive amended Local Area Agreements to extend the period of performance for Phase I funds.
 - The Lead Agency signs and returns the amended Local Area Agreements.

Originally, requests to use Phase I funds in FY 2011-12 were due to First 5 California on or before July 29, 2011. However, First 5 California has extended the due date for these requests to August 15, 2011.

Lead Agencies must submit in writing any request for an extension to the report submission due dates.

Role of Lead Agency

The Lead Agency is responsible for all fiscal oversight and program accountability. In that role, the Lead Agency must ensure that its organization, funding partners, and, if applicable, contractors maintain adequate internal controls and documentation to support expenditures and program compliance. Additionally, the Lead Agency must

work with all parties involved in the implementation of the CARES Plus program at the local level to ensure timely submission of data and required reports according to the timelines outlined in the CARES Plus RFA.

Annual Audit

Lead Agencies must undergo an annual financial audit for the CARES Plus program. The audit of CARES Plus funds must be conducted by a third party. The audit of CARES Plus FY 2010-11 revenue and expenditures must be submitted to First 5 California by November 1, 2011.

First 5 county commissions that have Lead Agency status in the CARES Plus program must report audited program financials using the Annual Report and School Readiness Guidelines for Implementation Beginning with Fiscal Year 2010-11, Attachment 1, Supplemental Schedule of First 5 California (F5CA) Funding. Other public entities that have Lead Agency status that do not participate in First 5 California's annual report process must use the reporting format detailed in the Supplemental Schedule in reporting audited CARES Plus financials. First 5 California will post an example of the Supplemental Schedule of First 5 California Funding to the CARES Plus webpage for easy access.

In FY 2010-11, CARES Plus participants will report audited financial information for Phase I – Planning and Development funds only. As a reminder, there is no cash match requirement for Phase I funds.

In FY 2011-12, CARES Plus participants must report audited financial information for both Phase I – Planning and Development funds (no cash match required) and Phase II – Program Design funds (cash match required). The FY 2011-12 financial audit must confirm revenue, verify local funds used for cash match requirement, and confirm that agencies complied with the cash match ratios.

In order to ensure that First 5 California funds are used solely for the purposes defined in the CARES Plus RFA, First 5 California will schedule periodic program compliance reviews in FY 2011-12 and FY 2012-13.

Capital Outlay Expenditures

As a reminder, CARES Plus funds cannot be used for Capital Outlay expenses.

Carryover Funds

At its July 2011 meeting, the State Commission approved a technical correction to the CARES Plus program authority that will allow counties to carryover unexpended funds from the current fiscal to the next fiscal year throughout the term of the agreement. First 5 California will amend the Local Area Agreements to incorporate this change in terms to the agreement.

The authority to carry over funds does not impede First 5 California from applying Section VI.L, Reduction of Program Funding Authority, if an agency is unable to demonstrate its ability to fully expend the annual CARES Plus funding allocation.

Cash Match

With regard to Phase II funding, it is critical that counties maintain clear documentation of cash match commitments that may include specialized time accounting systems, timesheets, MOUs, payroll records, etc.

Financial Management Guide Compliance

County commissions with Lead Agency status must use the First 5 Financial Management Guide (Guide) terms and definitions when reporting to or communicating with First 5 California regarding the CARES Plus program. Other public entities are not required to use the Guide, but must maintain records in accordance with Government Auditing Standards and comply with the financial terms and conditions detailed in the CARES Plus RFA.

Indirect Costs

As a reminder, the 15 percent cap on Administrative costs includes both indirect and administrative costs combined.

Payments

CARES Plus is a reimbursement program. First 5 California will make every effort to process the payments quickly. First 5 California contracts with the Department of General Services for accounting services and the State Controller's Office generates the payment warrants or transfers. First 5 California estimates it will take approximately 60 days from the date of receipt of a reimbursement request before a check is deposited.

Reimbursement requests that are submitted incomplete, include errors, or have insufficient detail may result in payment delays.

Higher Match Incentive

In order to be eligible for the Higher Match Incentive (HMI), CARES Plus counties were required to comply with the overmatch requirements at the time of application (reference RFA, Section IV.B.2). Counties that did not apply for the HMI at the time of application are not eligible for the HMI during the program term. First 5 California will determine the HMI amounts after all audited fiscal year expenditures have been reported. First 5 California anticipates the HMI disbursements will be released in late December/January

of each year. The HMI is a supplemental reimbursement for county funds already expended in the prior fiscal year.

Reduction of Program Funding Authority

First 5 California will be monitoring expenditure activity throughout the approved period of performance. As we analyze expenditure usage, it is our goal to align expenditure authority with expenditure capacity. Consistent with RFA Section IV.L, if First 5 California determines after the third quarter in FY 2011-12 that a Lead agency demonstrates significant under-expenditure of approved program funds of 20 percent or more, First 5 California reserves the right to modify the funding allocation for FY 2012-13 based on prior year expenditures. First 5 California will fully engage the Lead Agency in conversation before any such action is taken.

Reimbursement Terms

Non-reimbursable costs are identified in the RFA. First 5 California will seek reimbursement for any costs found to be disallowed during the financial audit or program compliance review. Lead agencies should contact the CARES Plus program manager if there are questions related to use of CARES Plus program funds.

Reporting

The RFA notifies Lead Agencies that late submission of required reports and data could result in First 5 California withholding payments. Timely reporting is critical to the program review and evaluation components of the CARES Plus program.

Retention of Program Expenditures Records

Recordkeeping is also a critical requirement. All records and agreements must be written, formalized, and accessible during both the financial audit and program compliance review.